

VISIT...

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Nudging more profit out of the trade: when to shake out vs. staying in the trade

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MODULE 1

● **Main Points:**

- As you know, I advocate keeping small stops of no more than 2-3 spreads under where you originally bought the stock for all daytrades.
- There are, however, many different trading styles and stocks that can be played; so I will give some tips and guidelines here for those who use somewhat larger stops and may be swing/position players.
- These tips are also applicable to the higher-priced and more volatile of the internet and hi-tech stocks that I trade: DCLK AMZN YHOO EBAY BEAS JDSU QCOM etc., as this particular group of stocks often need to be played with larger (say 1-point) stops, due to the large spreads, sometimes as big as 1/2 point.

The daily challenge in trading highly volatile internet-type stocks is, "do I stop out with a small profit/loss, or should I take on more risk for a bigger reward (or loss)?"

Examples:

Here is an example of the 1-minute eSignal tick chart setup I use. Close-line, 50MA, RSI 12, Slow stochs 13, MACD 12,26,9.

DCLK on 11/23. The play? It was in somewhat of a trading range all morning (155-164); spotting the correct long play seemed difficult.

So, I waited til I saw higher highs and higher lows (roughly 2pm, 14:00), to enter a small shares trade.

I had spotted that 164 was the prev. resistance (now



support), so I bought 200 at 164 1/4 at 14:00 (2pm). Stop set at 163 3/4 (1/4 point under support level).

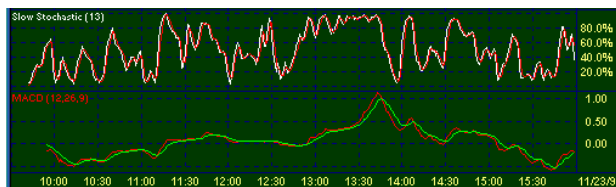
I could've shaken out after the initial peak before 2:30, but decided to stay in, with the stop at 164. I sold out right under 170 (decade number whole resistance) for a nice profit of \$1125 at 3pm. I could've held for more, but DCLK seemed overbought...it went up a bit more, that's ok, I'm out with profit. This is an example of an internet play that I used a somewhat larger stop based on support/resistance levels.



AMZN on 11/23: The play? I was busy watching DCLK so I didn't play AMZN, though it had a nice run as well.

The buy signal?

Volume breakout on higher high at 1pm (13:00). I would have stayed in the trade until it began making lower lows on the pullback (around 83ish), even though it did continue up the safe exit would have been using the technical indicator of lower low and lower



high as soon as it lost 83.

Notice that volume started to decrease around the pullback at 83 right before 14:00 (2pm) as well, another bearish indicator. It still ran up a bit before fading, as 85 was the real top.

Mini-Activity: Stay or shake out? See if you can identify where you would stay vs. sell. Hold your right hand up over the chart and move it slowly from left to right (or use an index card) to simulate the actual trading day. What technical indicators (volume etc.) would you use?

Tips for Daytrading Net Stocks Through the Shakes and Wiggles:

- The overall market is king of course, so always check the \$COMPQ and especially the \$GIN to help you manage entries and exits. Where is it headed? When will buyers return? When will they sell?
- Use the 3-stop guideline for net stocks as well, this time in combination with intraday support and resistance levels and volume and \$GIN direction.
- Be more sensitive to when institutional "buy programs" and "sell programs" kick in for net stocks. Follow the \$prem and \$trinq etc. as well as the \$GIN for additional timing tips.
- Use stochastics and MACD if it helps. I rely on these, with volume, RSI and an MA curve for good measure, to give me an overall "feel" for what's going on with this stock. Level 2 is alright, but not as useful for net stocks. I find level 2 gives false signals since there's so many daytraders/chippies (archips, players on ecn's like ARCA/INCA/ISLD) moving the stock price.
- Shakes and wiggles: I always like to use small stops and re-enter the position, perhaps as many as 4 times, before capturing the true move. Playing net stocks is exciting, not recommended for players with less than 6 months full-time trading experience. Start with the 'baby nets' like MSPG CNET LCOS before playing with the pros on AMZN YHOO DCLK CMGI etc.



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